IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

BALLY MANUFACTURING CORPORATION, Plaintiff, v. D. GOTTLIEB & CO. and WILLIAMS ELECTRONICS, INC. Defendants.	CIVIL ACTION NO. 78 C 2246
BALLY MANUFACTURING CORPORATION, Plaintiff, v. GAME PLAN, INCORPORATED and ASTRO GAMES, INC., Defendants.	CIVIL ACTION NO. 79 C 713

JOINT MEMORANDUM OF DEFENDANTS
D. GOTTLIEB & CO. AND WILLIAMS ELECTRONICS INC.
ON MOTION FOR CONSOLIDATION

Bally Manufacturing Corporation ("Bally") is plaintiff in the captioned civil actions, both of which are actions for infringement of Bally's U.S. Patent No. 4,093,232. The patent is directed to a solid state electronic pinball game.

Defendants D. Gottlieb & Co. ("Gottlieb") and Williams Electronics, Inc. ("Williams") are jointly filing this memorandum in response to the motion by Bally to consolidate Civil Action Nos. 78 C 2246 and 79 C 713. Under present

circumstances, Gottlieb and Williams oppose the consolidation. It is the position of both Gottlieb and Williams that consolidation would be appropriate only if:

(1) Bally waives its jury demand in Civil Action No. 79 C 713 so that the consolidated trial shall be to the Court; and

(2) the consolidated trial addresses both the issues of patent validity and patent infringement which are intimately and inextricably related in this instance, leaving issues of damages and antitrust issues for subsequent resolution.

I. The Notice of the Bally Motion

The Motion by Bally involves both sections of Rule 42 Fed. R. Civ. P. since Bally not only wishes to consolidate the defendants in the two captioned cases for trial, but also seems to desire that consolidation be for a separate trial only for purposes of determining patent validity while leaving three separate determinations of infringement to be made as well as other multiple issues presented by the counterclaims.

Admittedly, with a number of defendants facing charges of infringement under the same patent, there are common questions of fact or law tending to indicate a consolidation. But, according to Rule 42 of Fed. R. Civ. P., separate trials are only appropriate when "in furtherance of convenience and to avoid prejudice". It is submitted that in this case, regardless of consolidation, the severance of the validity issue from the issues of infringement would not only show both judicial and commercial inconvenience, but also would prejudice defendants Gottlieb and Williams.

The position of Gottlieb and Williams in the '2246 case is that each of them have no liability to Bally for patent infringement. From a commercial point of view, liability is the important issue. The liability issues are the intertwined issues of patent validity, enforceability and infringement. Clearly it is most convenient if liability is determined in a single trial from a commercial standpoint. Such a single trial on liability will also be most convenient from a standpoint of judicial economy.

Furthermore, determination of each, validity, enforceability, and infringement, in the absence of the other in this case can be prejudicial since the prior art justification for the accused devices is anticipated to be a major issue, and hence the validity and infringement issues at a minimum are inextricably tied together.

II. The More Important Trial Proofs in the Case are Common to the Issues of Validity and Infringement

The subject matter of the Bally patent is a solid state electronic pinball game that uses a microprocessor (or "microcomputer") to control scoring, audio/visual effects, and displays typical to pinball. The Bally patent proposes a particular electronic arrangement for achieving these objectives, and consequently at a minimum the lexicon of microprocessor technology will be involved in both the validity and infringement aspects of the trial.

But much more overlap exists. In the validity phase of the trial it will be necessary to compare the microprocessor function of the patented pinball game with similar and analogous microprocessor functions of the prior art. In the validity phase of the trial, evidence of the developmental efforts of others, including the defendants, will also undoubtedly be presented. Such developmental history will also be relevant to infringement. Moreover, technical terms relating to "multiplexing" functions, "random access" memories, "read only" memories and the like can be most efficiently and economically explained in the context of both the prior art and the accused structures. As the Court will appreciate, expert testimony in both validity and infringement issues will be offered and received.

A significant duplication of effort and expense can be avoided by a single trial which would address all of the technical issues. Such a treatment would avoid the duplication of expert testimony, enable the fact witnesses to present facts in the context of both the prior art and the accused structures and, in sum, shorten the overall proceedings. The same fact witnesses will be involved in both validity and infringement aspects of this case. Economies of judicial time and commercial time require that all these technical issues be disposed of in a single trial.

It has been long and well established in patent cases that the issue of patent validity should be severed only "upon the clearest showing that the trial of the issue of validity will not involve the trial of the merits of other issues, or, indeed a sustained duplication of proof..." Woburn Degreasing Co. v. Spencer Kellog & Sons, 37 F. Supp. 311, 312 (W.D.N.Y. 1941).

Moreover, defendants submit that significant prejudice could accrue to them if validity and infringement issues were separated. It is a fundamental axiom of patent law that the best non-infringement defense is one which establishes that the device accused to infringe existed in the

prior art, and hence that any patent which purports to cover such a device (and the prior art) is invalid. Infringement cannot be determined without an analysis of the prior art.

> To determine the issue of infringement, inevitably the trial court must construe the claims of the patent in suit against the teachings of the prior art. Keystone Plastics, Inc. v. C&P Plastics, Inc., 506 F.2d 960, 967, n. 20 (5th Cir. 1975).

III. Trial of Validity and Infringement Issues would Accomplish Significant Judicial Economy

There are three potential defendants* in this case, if it is consolidated. Each has a different pinball machine which, in each instance, is believed to depart in significant ways from the design of the Bally '232 patent.

In the validity case, each different device can be explained to the Court in the context of the expert testimony and technically based fact testimony which would inevitably accompany the validity trial. If infringement is not tried with validity, this Court will most certainly be confronted with three separate infringement cases following the validity determination, if favorable to the patentee. Indeed, without the issue of validity there is little basis

* It is the information of Gottlieb and Williams that the defendant Astro Games, Inc. in the '713 action is in dire financial difficulty and will not likely continue to play a significant role in this litigation.

to consolidate three separate infringement determinations on three separate accused devices.

It will be apparent to the Court that judicial economy is best served by a single trial to dispose of the entire patent liability issue (i.e., validity, enforceability, and infringement) as to all parties at a single time.

IV. The Existence of Bally's Jury Demand in the '713 Action Precludes any Consolidation Unless the Demand is Waived

Bally has demanded a jury as of right in the '713 Action but has not done so in the '2246 Action. Hence the latter will be tried to the Court.

Most assuredly a jury case could not be consolidated with a case to the Court on any basis of either judicial or commercial economy. The concept of a case proceeding with one party seeking a determination of facts from a jury while the other seeks the same determination from the Court is absurd. Such a proceeding (while admittedly technically possible) is unduly burdensome on the party not involved with the jury and, moreover provides much too fertile ground for a mistrial of the jury issues.

Hence Bally's motion to consolidate must be denied unless Bally waives its jury demand in the '713 Action.

V. The Proposed Order of Gottlieb and Williams Sets Forth the Minimum Conditions of Consolidation

Both Gottlieb and Williams recognize that the pending actions contain a number of various antitrust issues in addition to the patent issues discussed above. For example the issues of damages for infringement should clearly be severed for separate trial, if and when liability is found. The antitrust issues presented by the counterclaims of Gottlieb and Williams present antitrust claims which admittedly involve issues different from those involved with the technical aspects of validity and infringement.

Accordingly if consolidation is to be accomplished at all, it only may be accomplished if

1. Bally waives its jury demand in the '713 Action

   --because it is hopelessly inconvenient and prejudicial for three parties to try a case, one to the jury, two to the Court

2. The validity and infringement issues are tried together

   --because such a handling of issues is the only way to avoid significant duplication of proof and achieve the

convenience and absence of prejudice requirements of Rule 42(b) Fed. R. Civ. P.

VI. Conclusion

Gottlieb and Williams have prepared a Proposed Order* setting forth the conditions of consolidation by requiring Bally to promptly waive its jury demand as a condition to consolidation and further maintaining validity and infringement issues together for trial. It is submitted that such an order is the only one consistent with Rules 42(a) and (b).

Counsel for Gottlieb and Williams have furthermore been in contact and have consulted with counsel for Game Plan and have been informed that Game Plan desires some extension of the discovery period beyond August 1, 1979 to afford time for Game Plan to prepare for trial.

* It is believed that Game Plan also agrees to the substance of the order provided the Court extends time for discovery to afford Game Plan time to prepare for trial

The Proposed Order accordingly provides an extension of discovery as may be required by Game Plan in the discretion of the Court.

Respectfully,

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